



SPECIAL ASSESSMENT

OCTOBER 2004

Asia's Bilateral Relations

Jim Rolfe is a faculty member at the Asia-Pacific Center for Security Studies. In his earlier career, Dr. Rolfe has worked as a university teacher, as a policy adviser to the New Zealand government and in the New Zealand Army. His most recent book (as editor) is *The Asia-Pacific: A Region in Transition* (Hawaii, 2004) and he is now working primarily on issues of multilateral relationships in the Asia-Pacific region.

Australia-New Zealand Relations: Allies, Friends, Rivals

J I M R O L F E

Executive Summary

- Australia and New Zealand have a unique bilateral relationship. In the economic sphere the two countries are close to forming a single economic market, and on security issues there is an official commitment to harmonize policies and processes to the greatest extent possible.
- Although there is a valid public perception that the two countries work closely on international issues, in private the officials from each country are often critical of the other's policies.
- Since the mid-1980s New Zealand's security policies have diverged from Australia's. Today Australia is almost fully committed to the United States' approach to international security and maintains strong multipurpose armed forces. New Zealand is ambivalent about the United States' security policies and its armed forces are designed primarily for limited regional activities with only a minimal capacity to conduct major conventional operations.
- To the extent that the two countries approach the United States from different perspectives, the possibility of discord or perception of discord always exists.
- The differences between Australia and New Zealand on security matters are marginal and add value to the relationship; both countries cover a wider range of capabilities when working together than would be the case if the countries were simply mirror images of each other. However, this point is not necessarily recognized as a positive trait by either country.
- The United States should value its relationship with each country, understanding that there are differences between the two but that these differences can be useful rather than a source of friction.

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE OCT 2004		2. REPORT TYPE		3. DATES COVERED 00-00-2004 to 00-00-2004	
4. TITLE AND SUBTITLE Australia-New Zealand Relations: Allies, Friends, Rivals				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Asia-Pacific Center for Security Studies (APCSS),2058 Maluhia Road ,Honolulu,HI,96815				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 8	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

INTRODUCTION

Australia and New Zealand have a bilateral relationship as close as can be between any two countries. A common market is being discussed and, for the most part, the countries allow free movement of goods, services, and labor between themselves, and the citizens of either country can live and work freely in the other. The defense relationship, though asymmetric in capacity, is almost as intimate. There is no discrimination between the countries in government procurement: Industrial standards and professional qualifications are almost completely harmonized, and ministers and officials interact substantively and frequently on both domestic and foreign issues.

Yet today's cooperative Australia-New Zealand relationship is relatively new. In the first half of the twentieth century, the two countries did not have a close relationship at all. Even as British colonies each dealt with Britain bilaterally rather than with each other or as part of a group of colonies. In the mid-nineteenth century New Zealand was governed for a period from New South Wales, which is now an Australian state. In 1901 when Australia federated, New Zealand was invited to become part of the new federation. However, New Zealand rejected the idea on the grounds that the benefits would be doubtful and the disadvantages significant. In the words of the Federation Commission: "New Zealand should not sacrifice her independence ... [but] should maintain it under the Political Constitution she at present enjoys...." This assertion by New Zealand of the benefits of independence is still a factor in the bilateral relationship.

During World War I the two countries formed the combined Australian and New Zealand Army Corps from which the term "Anzac" is derived. The term, which is used to describe the bilateral relationship, is still iconic and symbolic of the close relationship between the countries, even though the formal military relationship ended after World War I. In the years leading to World War II both Australia and New Zealand accepted British security guarantees, and each felt equally let down when those guarantees were found to be ineffective. The two countries reacted differently to the Japanese threat however. New Zealand determined that its fate was bound with that of the greater allied struggle and concentrated its army's effort in the Middle East and Italy, and for a short while in the Pacific. Australia decided that defense of the homeland was its first priority and withdrew troops from the Middle East for that purpose. In 1944 the two countries signed the Canberra Pact that, inter alia, defined how the countries would work together in the Pacific for their mutual security. Little substantive bilateral activity came from this initiative, but it was the formal forerunner of their present relationship.

The two countries gained slightly different perspectives from World War II. Both accepted that the United States would be their security guarantor, but Australia always took that relationship (and indeed all military relationships) far more seriously than did New Zealand. Until the mid-1960s the bilateral relationship was defined primarily by the common multilateral security alliances the two countries had with the United States under the Australia-New Zealand-United States (ANZUS) Treaty and with Britain through Anzam (Australia and New Zealand and the defense of Malaya) and the Anglo-Malayan Defence Arrangement (now known as the Five Power Defence Arrangements, which include Malaysia and Singapore). Roughly thirty years would pass before a new bilateral defense relationship of any significance would emerge.

The public perception is that the two countries will cooperate to the maximum extent possible in dealing with international issues, even if they do not share a common understanding of day-to-day strategic factors and the most appropriate responses to situations.

Yet that perception is not necessarily shared by officials from either country. Strong language is used in private by each country when discussing the other, and there is no assumption that the countries will choose to coordinate their foreign policies and actions purely for the sake of a common front. One scholar of the subject has noted that senior New Zealand officials in the 1940s and 1950s were “unenthusiastic about close ties with the Australians, and often exasperated by their behavior” [in their approach to international issues of common interest]. More recently in 1998 during the handover of authority from New Zealand to Australia in the Bougainville peace supervision process, New Zealand diplomats noted that “while the Australians are maintaining a superficial dialogue with us, it is being made clear at [the] official level that a substantive input [from us] is not required.” Australian officials continually worry that New Zealand’s foreign and security policy lines will part company with Australia’s. In 1997, according to news agency reports, an Australian ministerial briefing paper described New Zealand’s policies as being a mix of cooperation and competition with Australia and that New Zealand felt the need to differentiate itself from Australia. This is because, in the words of the briefing paper: “New Zealand’s growing dependence on Australia, especially in CER (Closer Economic Relations) and defence—in which New Zealand capacity is weak and declining—underlines the strategic inequality of the relationship.” In 2003 Australia’s High Commissioner to New Zealand noted that New Zealand “risks getting left out in the cold as Canberra strengthens military ties with the United States ... New Zealand has made some decisions about its defence force that are quite different to the direction in which Australia is going.” Despite all this, on most international issues Australia and New Zealand have similar perspectives and share a common policy approach.

WORLD VIEWS: SIMILAR BUT DIVERGING AT THE MARGINS

The two countries have similar although not identical worldviews. Both countries are strong advocates of a plural and democratic society of states. Both accept the virtues of multilateral free trade. Neither country believes it is likely to be attacked militarily; both believe that a stable region is the most effective guarantor of their national and regional security and both have strong programs in which their armed forces work closely with the armed forces of the Pacific to ensure that stability.

There are also some important differences between the countries, especially in their respective analyses of the international strategic environment. The basis for these differences are both historical and geographical. Historically, Australia remembers the attacks on its territory during World War II and is determined that will not happen again. Geographically, Australia feels close to the Asian mainland and worries about spillover effects of Asian instability or major power shifts. New Zealand was not attacked directly in World War II and has Australia between it and continental Asia, giving New Zealand the comfort of distance but without compromising its access to the region. Consequently, Australia places considerably more reliance on military power than New Zealand, which minimizes military options in its international relationships. Note: These assessments are generalizations—Australia does not eschew diplomacy and New Zealand has a long history of using its small armed forces to support its foreign policy goals.

Australia is probably more assertive in its dealings with the Pacific than is New Zealand. Australia has perceived New Zealand as being “soft” on the region because of a desire to remain on close terms with its large Pacific Island population. Since the 2003

intervention in Solomon Islands (led by Australia and supported by New Zealand), both countries now seem prepared to demand results from their bilaterally funded regional aid programs and institutions. Australia is much more closely aligned with U.S. policies on counterterrorism, greater power cooperation, and even preemption since the terrorist attacks of September 2001 and the 2002 Bali bombings. Australia supported the 2003 U.S. invasion of Iraq wholeheartedly; New Zealand was at best equivocal in its support, arguing that the United Nations (UN) should authorize any intervention. Both countries supported Operation Enduring Freedom, the war explicitly aimed at global terrorism. Although both countries have formal status as “major non-Nato allies” of the United States, Australia is routinely acknowledged as an ally and New Zealand merely as a close friend. This differentiation stems from the mid-1980s when New Zealand refused port visits from U.S. nuclear-powered warships. The United States subsequently suspended its security guarantee to New Zealand.

ECONOMIC RELATIONSHIPS: TOWARD A SINGLE MARKET

In 1964 the two countries went beyond their common participation in multilateral security arrangements and established a limited free trade agreement, the New Zealand-Australia Free Trade Agreement (NAFTA). NAFTA was fatally flawed. It had no timetable for the elimination of trade barriers and failed to extend the agreement significantly despite years of negotiation.

In the early 1980s, in the first significant move to deepen the bilateral relationship, the prime ministers of the two countries agreed to scrap NAFTA and start fresh with a new agreement, the Australia New Zealand Closer Economic Relations Trade Agreement (commonly known as CER). CER initially provided for the gradual elimination of tariffs in five years from January 1, 1983, and the removal of all quantitative trade restrictions by 1995. By 1988 CER was seen to be so successful that timetables were brought forward and the agreement was broadened, extended, and generally speeded up. Today CER encompasses completely free trade in goods with no tariff or quantitative restrictions, opens the agreement to include the trade of services, and deepens the agreement by harmonizing non-tariff measures that affect the free flow of goods and services (in customs and quarantine measures, for example). The countries have a single aviation market and are also developing common regulations in areas such as business law, taxation, food standards, and professional services. In January 2004, ministers from the two countries announced plans to pursue a seamless “Single Economic Market” with unified standards and a common regulatory framework.

In the international arena, both countries strongly support the various international trade liberalization regimes of the World Trade Organization (WTO) and the Asia-Pacific Economic Cooperation (APEC) forum and work closely together to promote them. Both are members of the Cairns Group of countries, attempting to bring agricultural trade liberalization to the forefront of WTO negotiations. Despite the closeness of their interests in international trade issues, the two countries do not necessarily coordinate their negotiations with third countries or groupings to form a wider circle of free or preferential trade agreements. They have worked together to promote a CER and Association of Southeast Asian Nations (ASEAN) Free Trade Area relationship, although that is not yet a reality. However, the two countries worked separately to make their own arrangements

with, for example, the United States, China, and Singapore. The reasons for this reside in each country's differing needs and relationships with these third countries. In terms of their respective relationships with China and Singapore, there is little difference between Australia and New Zealand's needs or their approaches. With the United States, however, Australia has negotiated a free trade arrangement while New Zealand has not. Within New Zealand there is some suspicion that the United States would not deal with New Zealand because of its ambivalent support (sometimes explicit nonsupport) for the United States' security policies, and that Australia has not done anything to help New Zealand pursue its own free trade agenda with the United States. Both U.S. and Australian officials assert that New Zealand's needs are different from Australia's and that New Zealand will get in the queue for a free trade arrangement eventually.

SECURITY ISSUES: CLOSE FRIENDS, DIFFERING APPROACHES

The bilateral defense relationship came well after the economic one. Until 1985 the countries had worked together in various multilateral frameworks rather than bilaterally, and there was little systematic effort to harmonize policies, procurement, or processes although many were similar because of the countries' shared history and geostrategic environment. The ANZUS relationship was the most important for each country until a succeeding New Zealand government—composed of politicians whose foreign policy outlooks were shaped by Vietnam rather than World War II and whose constituency opposed nuclear weapons—decided to stop the previously negotiated visit of a U.S. warship on the grounds that it was “nuclear capable.” That action, followed by the introduction in Parliament of the New Zealand Nuclear Free Zone, Arms Control and Disarmament Bill (subsequently enacted into law in 1986), prompted the United States to suspend New Zealand from the status of ally (thus removing the U.S. security guarantee). Additionally, the United States stopped transmitting U.S. intelligence, ceased exercising with the New Zealand armed forces, and imposed conditional logistic support.

Many of these measures remain in place nearly twenty years later, a curiosity given New Zealand's participation in most of the multinational operations valued by the United States. Those sanctions affected Australia as well. Australia could no longer share U.S. sourced intelligence with New Zealand and could not invite New Zealand to multinational training exercises if it also wanted the United States to participate. Publicly at least, Australia declared its willingness to bear these costs in the interest of maintaining its close defense relationship with New Zealand. Privately though, Australian officials resented the extra burden and viewed New Zealand as free riding the alliance responsibilities.

Despite these differences, the two countries' interests were sufficiently close so that in 1991 they would establish the Closer Defence Relations (CDR) process. The purpose of CDR was to formalize the long-standing relationship and to work toward whatever benefits could be obtained from greater cooperation. CDR is not treaty based—that level of formality implies mistrust and is unnecessary for an already close relationship. There are annual meetings of defense ministers and senior officials, regular meetings of policy officials, and working groups dealing with a range of issues such as force development, command and control systems, operational matters, and logistics. When elements of the armed forces are on the same operation, they normally combine their contribution as an Anzac force.

In June 2003 the two countries released a Joint Statement on Closer Defence Relations. The statement asserted that there is no strategic partnership in the region closer than that between Australia and New Zealand and defined five specific outcomes for the relationship:

- A mutual understanding of respective national security policies
- National force development decisions to operate together
- Mutually proficiency in combined and joint operations
- Logistic support and sustainment arrangements to enhance operational effectiveness and
- Regional defense assistance that is coordinated and complementary

In practice this means that within national policy each country attempts to harmonize the detail of its defense policies such as, for example, buying the same equipment in cases where each has a similar need. On the other hand, national security policy directions are now quite different. Australia has a robust policy in which it attempts to produce conventional multipurpose forces capable of operating with the United States in most kinds of military operations. New Zealand has abandoned any pretensions of a general military capability, preferring instead to focus on light forces suitable for the immediate defense of New Zealand and its Pacific interests and to fill low-level roles in multinational operations. Nor does either country necessarily act in ways the other partner would prefer. In 2000 Senator Sandy Macdonald, chairman of Australia's Senate Foreign Affairs, Defence and Trade Legislation Committee, argued that Australia wanted New Zealand to continue to provide support to the Australian Defence Force with New Zealand strike aircraft, which have been based in Australia since 1990. He noted that Australia was concerned at "the cumulative decline in the capabilities of the New Zealand Defence Force, especially relative to the Australian Defence Force." Within a year the New Zealand government announced that its air combat force would be withdrawn from service and that the capability would not be replaced. That decision reinforced Australian views that New Zealand was free riding on defense matters.

Australian commentators acknowledge New Zealand's contributions to regional operations of mutual concern such as in Bougainville (initially led by New Zealand), East Timor (a battalion group), and the Solomon Islands, but they do not count these when they are making judgments about New Zealand's military capabilities. On the other side of the coin, New Zealand commentators typically consider Australia to be overly fixated on its U.S. relationship and acquiring equipment suitable for traditional mid-level military operations, but not necessarily so suitable for more pressing needs related to the immediate region. Australia does not listen to New Zealand concerns at all, and while New Zealand listens to Australia, it makes its own decisions anyway.

The differences between the two countries' views on defense are marginal and mostly focus on the appropriate roles for countries in the region. Australia sees the region in terms of potential threat and responsibilities; New Zealand sees little threat and sees choices rather than responsibilities, although it does acknowledge—in a 2002 Ministerial briefing

paper—"special obligations to Pacific neighbors to assist in maintaining peace, preserving the environment, promoting good governance, and helping achieve economic well-being." None of these tasks require the kind of military capability that Australia considers to be necessary. Australia typically does not see New Zealand's defense policies as appropriate for New Zealand. New Zealanders in turn do not see that their own choices are secured by Australia's robust security policies. In the long term, both countries need to understand that their differing approaches complement each other and are thus a source of strength rather than weakness.

By following their slightly different paths, each country has produced armed forces that fill gaps in the other's capabilities. The strategic entity formed by the two armed forces' close cooperation is, in practice, somewhat greater than just being an aggregate of the individual parts. By avoiding a "mirror image" approach to developing their armed forces, Australia and New Zealand have produced a significant regional capability to respond to a wide range of contingencies, although this has probably resulted more from good luck than good management. The next step would be to recognize security responses (whether in terms of force development or operational deployment) under the banner of Anzac rather than as separate Australian or New Zealand security initiatives. For example, each country could specialize in specific classes of capability that would be provided to the combined Anzac armed forces, or to either country as required. This would reinforce the idea that the two countries form a single strategic entity.

CONCLUSION

For the future, there is discussion of more permanent combined arrangements in the defense field, as there are discussions of an even closer economic relationship, perhaps with a single currency. The countries can get closer in both areas, but very soon they will have to confront questions of sovereignty, a discussion likely to be more sensitive in New Zealand since the smaller country could conceivably be subordinate to Australia's needs and because of New Zealand's historical desire to maintain a certain degree of autonomy and separate identity. In the short term there are unlikely to be any significant moves toward a closer union involving any loss of sovereign responsibilities or rights.

There are several areas in which the two countries could and should work closer with each other. In the South Pacific region they are starting to define a robust vision of how the region should develop. They should be more robust still and assert leadership rather than wait for the island countries to bestow it. The two countries should work closely together for the development of an Asia-Pacific region suited to their interests, and there should be little, if any, policy difference between them in terms of promoting international economic openness. All of these initiatives should be identified as joint initiatives rather than national ones.

The relationship between Australia and New Zealand has many benefits for the United States. Although the two countries do not deal with the United States equally, they generally support the United States' position on most international issues. Between them they provide the United States with a friendly presence and influence in the Oceania region (not a strategically significant region, but nonetheless more sympathetic to the West than not). One or the other and generally both will support the United States on most issues. Specifically in the realm of strategic security policy, the two countries disagree

with each other, and that disagreement lessens New Zealand's utility to the United States. Of course, New Zealand's slight distance in these issues means that it will be able to act in ways that Australia or the United States might not be able to but which would be beneficial to them as well as to New Zealand (such as the mediation process in Bougainville, for example, which occurred in the mid- to late-1990s). It is in the United States' interest to ensure that the two countries maintain their cordial relationship (and there is no reason to believe they will not). Rather than wishing that New Zealand were more like Australia, the United States should deal with New Zealand in the areas that it is primarily interested in and where it can add value, for example, in the area of multilateral relationships such as taking the lead as an interlocutor in WTO negotiations, which is now happening. In this way, the triangular relationship is likely to be of more value to all the partners than it might otherwise be.

Asia-Pacific Center for Security Studies

2058 Maluhia Road, Honolulu, Hawaii, 96815-1949

tel 808.971.8900 • fax 808.971.8989 • www.apcss.org

For further information regarding APCSS publications or to be placed on the distribution list, please contact research&publications@apcss.org